

International philanthropy towards developing countries: A public aid agency's viewpoint

Charles Sellen^a

^a *Agence Française de Développement, 5 rue Roland Barthes, 75012 Paris, France*

Draft version | Please do not quote or circulate

Abstract

The increasing power of philanthropic and corporate foundations in the area of development assistance, both current and future, is bringing long term change to the “official development assistance” (ODA) landscape and prompting “traditional” aid actors, particularly bilateral donor agencies, to position themselves with respect to these new entities and envisage the partnership opportunities they represent.

Facing this new global trend and having already established pioneering partnerships with foundations, the French Agency for Development (AFD) commissioned in 2015 three studies to better understand the strategies of international foundations and philanthropists towards developing countries. One aimed at measuring the scope and main destination of these flows worldwide; the two others focused on the rapidly emerging philanthropic sectors in Asia and the Middle-East/Arab world.

Methodologies were mixed, drawing from both quantitative sources (i.e. measurement and mapping of flows within a panel of 55 foundations worldwide) and qualitative ones (i.e. interviews with foundations executives). The results are of seminal importance for scholars and practitioners alike, since the academic literature on this subject is quite scarce and meanwhile the interest is growing among the global community of development professionals. While establishing a typology of foundations' motives and strategies regarding international aid, the studies show a significant potential for collaboration between these actors.

AFD and other public aid agencies may be eager to use this original typology in order to diversify and strengthen its links with the community of foundations engaged into international development activities.

Main text

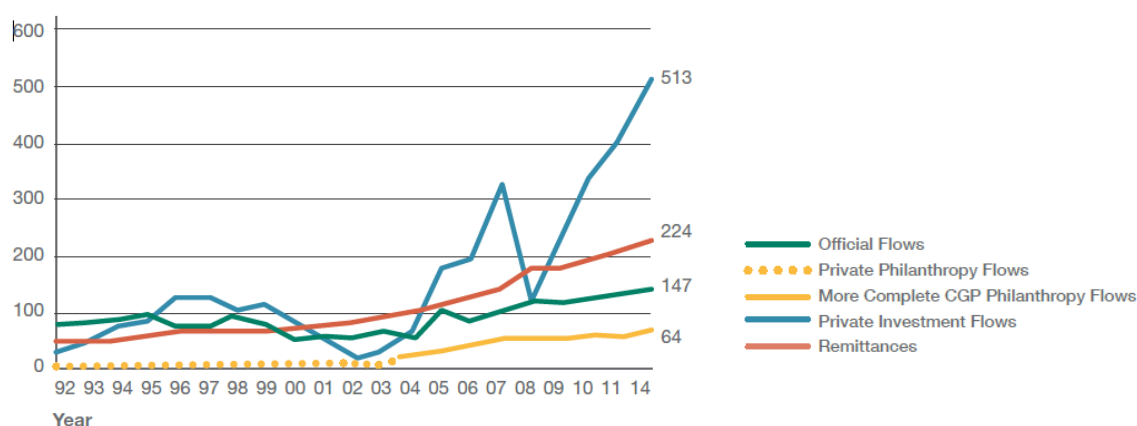
1.1. A moving context for international aid, both private and public

It can be asserted that private foundations, namely the “big Three”—Carnegie, Rockefeller, Ford—literally invented international aid towards development, back in the 1920-30s (Arnové, 1980, 2007). This phenomenon took place long before international public bodies were established for that same purpose, mainly after World War Two in the wake of the Bretton Woods conference. International aid consists in *financing, implementing or accompanying development projects* in so-called “developing countries” (formerly encompassed in “the Third World”). These flows are labelled “official development assistance” (hereafter ODA) when they stem from public entities of OECD countries*. Public and private capital flows from industrialized countries (a.k.a. “the North”) towards developing ones (a.k.a. “the South”) are currently expanding. But their subcomponents and destinations also evolve rapidly. We need to examine the changing landscape of international private foundations, as well as that of international public donor agencies.

1.1.1. The changing landscape of private aid towards development

Private flows of wealth towards developing areas of the world have been quickly growing since the end of the Cold War. These streams can be subdivided into three main categories: private overseas investments represent by far the largest part; remittances from migrants are another large segment; charitable giving constitutes a third component emanating from private sources (Hudson Institute, 2017).

Figure 1: Total private flows from donor to developing countries in USD billion (1992-2014)



Source: Hudson Institute (2017)

The origins of this third component of private giving flows may subsequently be split in various veins, among which: individuals, NGOs, corporations, foundations. In this paper, we pay attention to the *flows of aid channeled internationally by private foundations towards development causes*. The recipient organizations may be based in Northern countries, but they should ultimately have international development goals in order to fit in with our scope.

To estimate the flows of international aid by private U.S. foundations is possible thanks to the precise databases compiled by the Foundation Center and several American specialized initiatives (e.g. Giving USA annual inquiries). In Europe, the European Foundation Centre started an effort to gather statistical data, but faces difficulties due to the various legal and regulatory frameworks that do not allow for comparisons or aggregate figures. Elsewhere, the data remains very scarce on foundations from other areas of the world. This is why the French Agency for Development (AFD), a public body (namely supervised by the French Ministries of Finance and Foreign Affairs), commissioned in as early as 2006 a study on

* These flows are recorder in public statistical accounts that obey to precise OECD-DAC (Organization for Economic Co-operation and Development, Development Assistance Committee) rules in order to be able to measure and compare each donor country's contribution according to their political pledges and multilateral agreements.

the involvement of international foundations into development co-operation (Chervalier & Zimet, 2006). This exploratory study sampled of the top 12 most internationally-oriented U.S. foundations, and discovered several key results. First, the major recipients of this aid were, in the years 2003-2004, either industrialized countries or emerging economies (see table 1). Foundations did not directly finance projects in low-income countries (such as “Least-Developed Countries”—LDCs) but tended to direct their flows to pivotal organizations in relatively safe countries, who could subsequently spend the money in very poor or unstable areas.

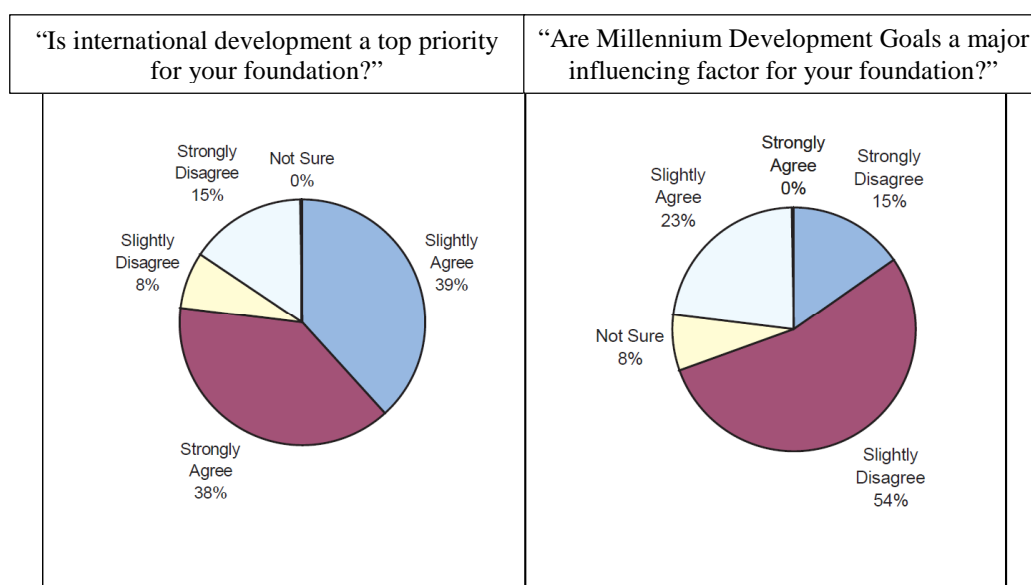
Table 1: Top ten receiving countries of international aid from American foundations (USD million)

| 2003 | | | | 2004 | | | |
|--------------|---------------------------------|------|------|--------------|---------------------------------|------|------|
| | Grants (in millions of dollars) | % | Rank | | Grants (in millions of dollars) | % | Rank |
| Switzerland | 84.06 | 16.1 | 1 | Switzerland | 131.63 | 22.7 | 1 |
| England | 43.93 | 8.4 | 2 | South Africa | 49.73 | 8.6 | 2 |
| Canada | 37.85 | 7.2 | 3 | England | 39.79 | 6.9 | 3 |
| South Africa | 36.23 | 6.9 | 4 | India | 30.32 | 5.2 | 4 |
| India | 34.99 | 6.7 | 5 | Mexico | 21.97 | 3.8 | 5 |
| Mexico | 25.22 | 4.8 | 6 | Nigeria | 21.95 | 3.8 | 6 |
| Brazil | 22.23 | 4.3 | 7 | Brazil | 21.57 | 3.7 | 7 |
| Kenya | 17.96 | 3.4 | 8 | Canada | 19.29 | 3.3 | 8 |
| Poland | 17.01 | 3.3 | 9 | Australia | 16.50 | 2.8 | 9 |
| Russia | 16.36 | 3.1 | 10 | Russia | 15.51 | 2.7 | 10 |

Source: Chervalier & Zimet (2006)

Second, many of the recipient organizations are long-established institutions; often public ones such as universities and the number one in 2012 was an international diplomatic arena, the World Health Organization (WHO) in Geneva[†]. Third, private foundations did acknowledge a convergence of their own objectives with the Millennium Development Goals (MDGs; set by the United Nations for the period 2000-2015) but were reluctant to admit any sort of influence in defining their strategic priorities (see figure 2).

Figure 2: Opinions of executive officers from the top 12 international U.S. foundations (2006)



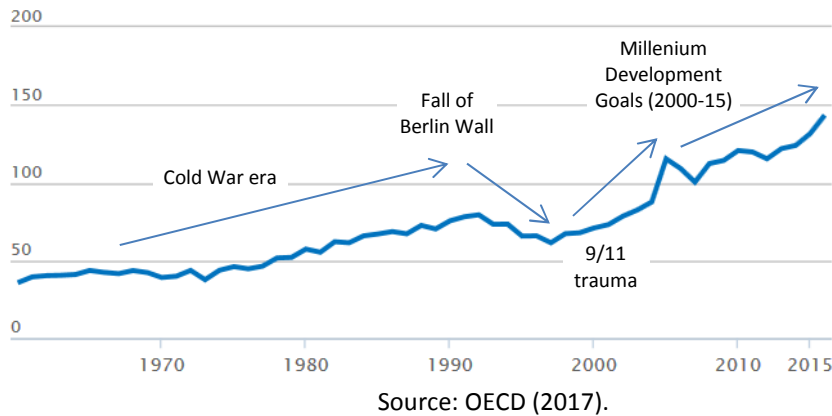
Source: Chervalier & Zimet (2006)

[†] Source: <http://data.foundationcenter.org/#/fc1000/subject:all/all/top:recipients/list/2012>

1.1.2. The evolving background of public aid towards development

During the Cold War, ODA was arguably distorted as an instrument of influence between the Western and Eastern blocks. It then fell drastically with the fall of the Soviet Union in the early 1990s, and quickly surged again with the global fight on terrorism in the 2000s under the U.S. Bush Jr. administration. Today, its aggregated amount is rising close to USD 150 billion per year, and its general background is evolving rapidly.

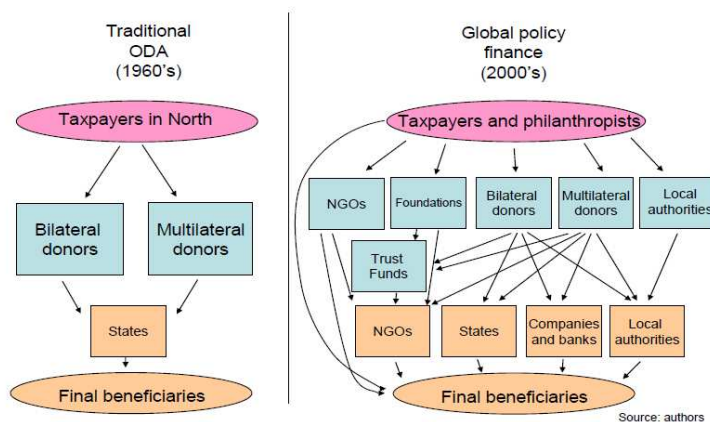
Figure 3: Evolution of ODA flows in USD billion (1960-2015, in 2015 prices & exchange rates)



It can be said that international cooperation aid is currently being reshuffled by the irruption of new non-state actors such as NGOs, foundations, transnational corporations, but also a number of public-private partnerships (often without clear legal status), and *ad hoc* global funds. Some authors have clearly admitted the “end of ODA” as it was previously conceptualized and practiced (Severino and Ray, 2009).

Severino and Ray (2010: 11) describe this “new mode of production of global policies” and put forward a new concept to qualify it: “*This double trend of proliferation (i.e. the increase in the number of donors) and fragmentation (i.e. the scattering of donor activity) of international cooperation sets the stage for what we have called ‘hypercollective action’.*” According to them, the novelty of ‘hypercollective’ action is its heterogeneity and the ability to self-proclaimed actors to grasp it spontaneously, contrary to ‘collective’ action whose boundaries were more distinct and in which only authorized actors could take part. What is at stake, on the one hand, is the way *legitimacy* is acquired in addressing public interest issues. On the other hand, it is the way these legions of actors are coordinated. The Paris Declaration (2005) was intended to design a framework and principles of harmonization and alignment among international assistance actors. But although the diagnosis was correct, this initiative led to somewhat disappointing results (Severino & Ray 2010: 24) mainly because of the multiplication of stakeholders, all of whom are accountable to different audiences (citizens for government agencies; families or philanthropists for independent foundations).

Figure 4: The double explosion of demand and supply of aid generates entropy in the landscape



Source : Severino & Ray (2010)

1.2. *New questions arise for public aid agencies*

The noisy irruption of private foundations into the quiet realm of public aid agencies has put social innovation at the center stage within the global development community as an audacious imperative. These 3 enquiries were initially intended to understand the rationale and actual ambitions of these pushy actors. But a number of subsequent research questions were addressed or simply evoked for future research:

- How do foundations see themselves fitting into the diplomatic/political spheres of ODA?
- What influence do they possess with respect to setting the global agenda?
- What are their motivations and strategies regarding development issues?
- Do bilateral donors perceive them as threats or as potential allies?
- What complementary and what competitive dynamics do they create (amongst themselves and *vis-à-vis* public donors)?
- Might the growth in volume of funds contributed by philanthropic foundations encourage a progressive retraction of public funding?
- Could the revenue stream from private foundations compensate for the rarity of ODA?
- What possible knock-on effect and type of funding mix (foundations/donors) might develop?
- What can be learnt from pre-existing partnerships between foundations and other actors in traditional development (bilateral, multilateral), as well as from those with new actors (large corporations, NGOs, social entrepreneurs, etc.)?

Considering the swift growth of these thought-provoking actors, both in numbers and in capital assets, and the number of questions that arouse great interest, it was necessary to deepen our knowledge of them.

1.3. *Swift growth of philanthropy in key areas and regions of the developing world*

A decade after its exploratory 2006 study on U.S. foundations, AFD commissioned in 2015 three new studies on international philanthropy, among which one had a worldwide scope, and two others consisted in regional focuses on East Asia and Middle-Eastern/Arab countries.

1.3.1. *Global flows of philanthropy towards development*

One study, conducted by a team of the Center for Philanthropic Studies at V.U. Amsterdam, aimed at mapping the global flows of private giving by foundations directed to developing countries. A panel of 55 international foundations was selected, with an oversampling of non-U.S. foundations (otherwise, most of the foundations in the sample would mechanically have been American). Among the 55 foundations quantitatively surveyed, 28 participated in an additional qualitative inquiry through a questionnaire. Quantitative data was retrieved for 44 foundations, totaling a budget of USD 10.2 billion towards development[‡].

Most of the results will be presented to ERNOP by the Dutch team, but here is a snapshot of the overall mapping (figures 5 and 6, next page).

[‡] This amount may not be compared to the USD 143 billion of ODA reported by OECD donor countries in 2016: it is not comparable in size, in typology of recipients (mainly States or public entities for ODA), or in destination countries.

Figure 5. Regional flow chart charitable support from foundations* 2015**, in percentages*** of total financial flows (N=44; total budget = 10.2 USD billion)

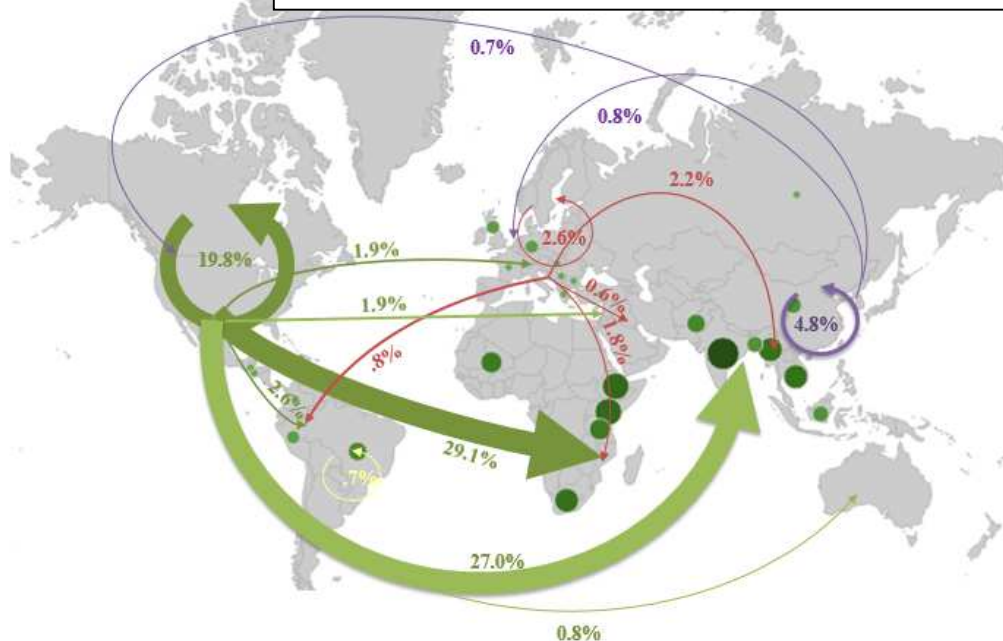
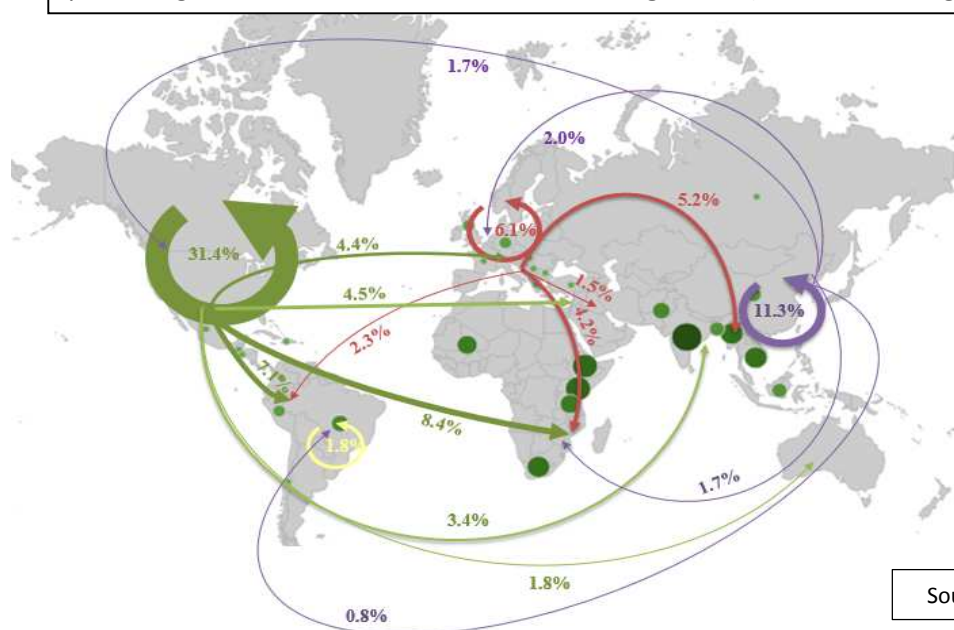


Figure 6. Regional flow chart charitable support from foundations* in 2015**, in percentages*** of total financial flows, **excluding BMGF** (N=43; total budget = 4.7 USD billion).



Source: Schuyt et al. (2017)

* Includes foundations with at least 1 USD million in charitable support.

** Figures refer to 2015 were possible, most recent year has been included if 2015 was not available.

*** Only financial flows accounting for at least 0.5% of total financial flows have been included.



Circle size indicating frequency country is mentioned by surveyed foundations as focus country

The global picture varies tremendously with or without the Bill & Melinda Gates Foundation (BMGF), whose reported international budget in 2015 was close to 5.5 USD billion (i.e. more than half of the sample's total budget). The second chart tells us that the lion's share of the flows is being spent in an area's immediate neighboring zone. Around a third (31%, green flows) of philanthropic money remains on U.S. soil, because it is given to U.S.-based recipient organizations, which have an international development purpose. About a tenth (11%, purple flows) goes from Asia to Asia. European foundations tend to send a larger portion of their spending overseas (red flows on the chart).

The African continent is the world's top destination and receives a cumulated 14.3% of total wealth transferred from three emitting regions (North-America, Europe, and Asia), excluding the BMGF (Africa receives 30.9% of global flows when including this gigantic foundation). In particular, Eastern and Southern Africa, which are roughly tantamount to "Anglophone Africa", appear to be the most frequent sub-regional targets (cf. green drops).

This attempt to realize a global mapping of philanthropic flows emanating from private foundations towards developing countries is, to our knowledge, a pioneering initiative that will contribute to research and practitioners' thinking in the field. The team of V.U. Amsterdam has proposed a novel typology based on three criteria: type of founder; motives; historical context. They consequently spread the existing foundations across seven original categories: Traditional Foundations, Entrepreneurial Foundations, Corporate Foundations, Value-driven Foundations, Solidarity Foundations, Instrumental Foundations, Indigenous Foundations (Schuyt et al., 2017 [forthcoming]).

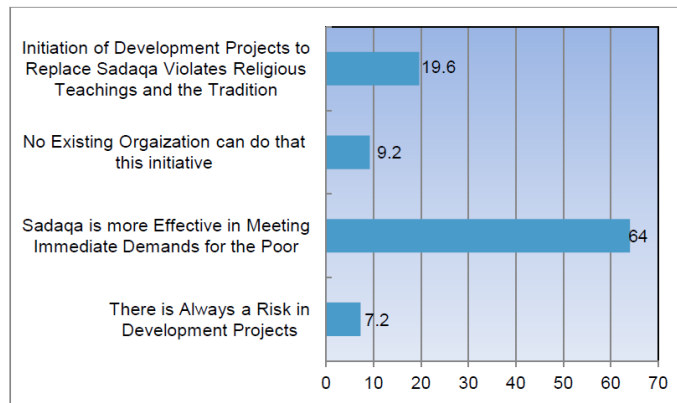
1.3.2. Philanthropy towards development in Arab countries

Due to the global fight against the threat of Islamic terrorism, the need for securing oil supply for industrialized economies and the growing flows of migrants caused by authoritarian governments or by droughts, the Middle East-North African (sometimes called "MENA") region has become a key geopolitical square on the world's chessboard over the past two decades. The paper commissioned by AFD focuses more on "Arab" countries, excluding from its scope Israel, Iran and Afghanistan (which are Middle East countries but present very different socioeconomic contexts compared to Arab countries).

Philanthropy in this region is strongly influenced by Islam, but also, to a lesser extent, by Christianity that is a significant minority for instance in Egypt (with the Copt community). The paper discusses both obligatory (called respectively "Zakat" by Muslims and "Ushour" by Christians) and voluntary giving (called "Sadaqa" by Muslims). It provides insights on the concept of "Waqf" (endowment, permitting sustainable giving). In these deeply religious societies, obedience to Quran's life principles largely explains people's behavior of generosity. Also, the tight control that the States of this region generally exert on society elucidates why Civil Society Organizations networks are relatively weak. This political situation is the reason why statistics are so scarce about the philanthropic sector: any ambitious public inquiry should get formally approved by the authorities.

The main results of this paper are insightful: very few respondents to a large-sample quantitative survey did relate philanthropy to development, i.e. to the "implementation of projects that target social problems". The researchers conclude that *"People appeared to comprehend philanthropy from a non-developmental point of view, where direct assistance and charity prevails in their perceptions."* As shown by figure 7, two thirds of respondents consider that Sadaqa (charity) is the best conducive way to respond to the poor's needs. About one fifth even think that development is contrary to religious teachings.

Figure 7: Reasons behind the Reluctance to Initiate Developmental Projects in Arab Countries



Source: El-Daly & Khalil (2017 forthcoming)

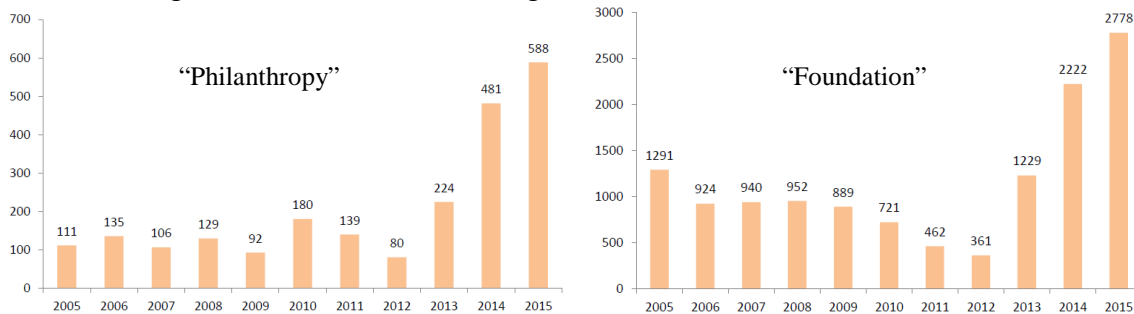
In short, the philanthropic culture is indeed widespread in Arab countries but it is conveyed through informal, daily, and *ad hoc* generosity, rather than through organized giving based on charitable institutions.

A final remark by the researchers underlines the fact that a quarter of respondents in the surveyed-sample (including a number of professionals of the NGO, CSO, or philanthropic sectors) claim that generosity is tightly linked to religion. This strong religious feature tends to add secrecy to the act of giving and does not help the researchers in their quantitative measurement endeavor.

1.3.3. Philanthropy towards development in East Asia

Asia comprises some of the world's fastest growing economies. The philanthropic sector is also affected by the lack of quality data, but the circumstances are improving. For instance, a China Foundation Center was created and now provides more reliable statistics and quantitative data on the country's swiftly moving charitable sector. The growth of philanthropic issues can be estimated by following the amount of media coverage thanks to the Factiva database, as figure 8 show a steep increment in recent years.

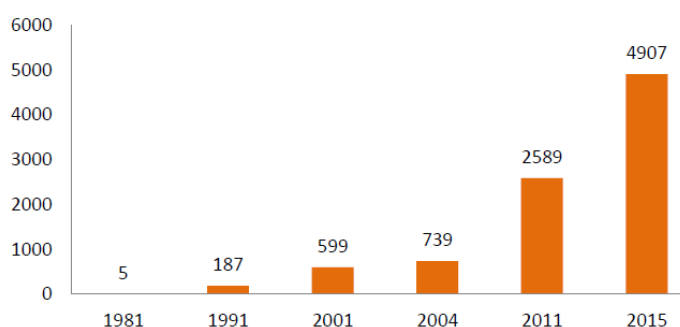
Figure 8: Document counts relating to "Philanthropy" and "Foundation" in Asia (2005-2015)



Source: Factiva, compiled by Tan and Lam (2017, forthcoming).

Within Asia, the team of researchers from ACSEP (NUS Singapore) focused on China, Myanmar, and Singapore⁵. China is now among the countries that host the largest numbers of so-called "High Net-Worth Individuals" (HNWIs). But enormous discrepancies remain in households' income, while most of its population is still very deprived. According to World Bank data, China's GDP per capita has multiplied fivefold in just a decade, jumping from 1,740 USD to 7,925 USD (between 2005 and 2015). Its number of private foundations has literally exploded in the past ten years, as illustrated by figure 9.

⁵ India's philanthropy and HNWI already received much coverage by studies initiated by private banks and international consulting firms. Therefore, AFD decided to explore philanthropy in less known areas.

Figure 9: Number of foundations in China (1981-2015)

Source: China Foundation Center.

The researchers found similarities across East Asia regarding philanthropic behavior. Since it is deeply influenced by Confucian philosophy, the family tends to be the key nexus through which individuals express their generosity. From a review of literature, they conclude that “education” is the number one supported topic. But “poverty alleviation” and “social welfare” follow close behind, together with “healthcare”.

1.4. Lessons learned and prospects of partnerships between foundations and public aid agencies

The speedy rise of private philanthropy at a global scale thus encompasses flows from Northern towards Southern countries, but also increasing South-South streams of generosity. From the perspective of each of the three studies commissioned by AFD, there seems to exist a noteworthy potential for collaboration between private philanthropic actors and public bodies involved into development activities, provided they together overcome the above-mentioned challenges and possible impediments (see section 1.2).

As a government aid agency, AFD has been experiencing innovative partnerships with foundations for more than a decade and now intends to further explore opportunities with these actors. These 3 studies were intended to give room to fruitful debates on how these different entities could make steps towards each other in order to tackle global issues that will require everyone to collaborate (climate change causing more droughts and floods, terrorism, extreme poverty, food security, weapons/drugs/human trafficking...).

A possible converging point universally could be the *Sustainable Development Goals* (SDGs), agreed upon under the auspices of the United Nations. These objectives are defined for the period 2015-2030 and put on equal foot Northern and Southern countries for the first time; they also gather around the table public and private funding/operating bodies alike. Considering that public aid agencies – whether bilateral like AFD or multilateral as the World Bank – are tied by governmental and diplomatic arrangements, and hence have already aligned their strategies with the SDGs, the residual question is to what extent philanthropic foundations, which are entirely free to determine their priorities, will voluntarily join the movement and contribute, with their funds or expertise, to the collective development agenda.

Private foundations report predominantly successful experiments in previous collaborations (figure 10) with ODA agencies, and show goodwill to intensify collaborations in the future (figure 11).

Figure 10: Collaboration between foundations and ODA organizations (N=28)

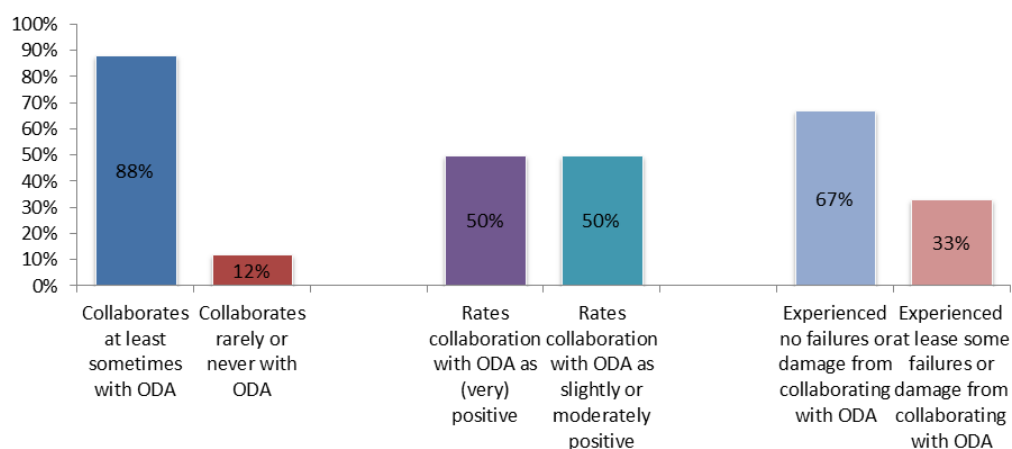
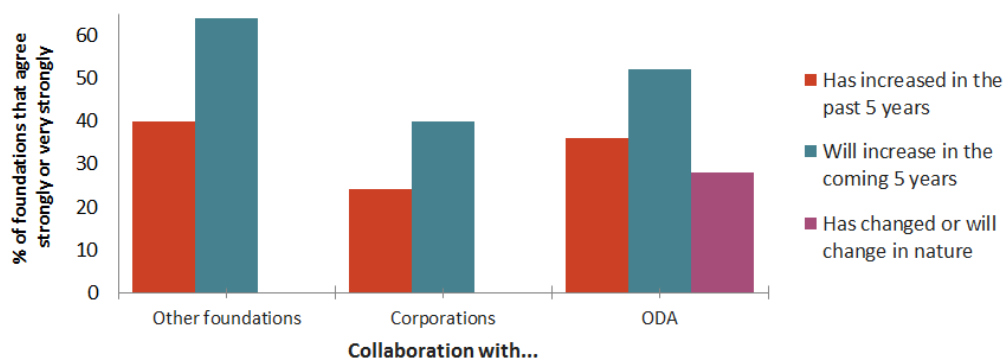


Figure 1 Frequency of collaboration in the past and expectations for the future (N=28)



Source: Schuyt et al. [2017, forthcoming]

Building on this nascent mutual trust, private foundations and public agencies can choose among a wide range of modalities to collaborate, from operational to more strategic ones. Co-funding projects is a first opportunity, either in “parallel funding” (each institution funds separate items within a common program) or in “joint funding” (each institution funds a slice of the same budget line) schemes. According to another pattern, a foundation may bring technical assistance for a project funded by a public agency, such as the provision by a foundation of engineering advice for sanitation project in an African city struck by cholera. Finally, policy dialogue, expertise sharing and joint advocacy may be other avenues for upstream collaboration – and leverage greater positive results –, for instance AFD participation in the jury of an international contest launched by a foundation to incite municipalities to adapt to climate change.

To conclude, these pioneering studies were designed to explore these avenues and open the debate. It is necessary for public agencies like AFD to properly understand private foundations’ identities and strategies in order to build bridges and best design collaboration frameworks so as to make the world a better place to live in.

Acknowledgements

We wish to thank the three brilliant teams of researchers who conducted these studies commissioned by AFD: the Center for Philanthropic Studies at V.U. Amsterdam; the Asia Centre for Social Entrepreneurship and Philanthropy (ACSEP) at NUS Singapore; and Middle East Research and Social Investment Consultants (MERSIC) in London. We also gratefully acknowledge valuable insights from AFD colleagues from the Research Department, as well as the Partnerships and Strategy Department.

Selected references

- Arnove, R.F. (ed.), 1980. *Philanthropy and cultural imperialism: The foundations at home and abroad*. Bloomington: Indiana University Press.
- Arnove, R.F., Pinede, N., 2007. Revisiting the “big three” foundations. *Critical Sociology* 33(3), 389-425.
- Chervelier, B., Zimet, J., 2006. *American Philanthropic Foundations: Emerging Actors of Globalization and Pillars of the Transatlantic Dialog*, Working Paper, No. 22, July. [URL: <http://librairie.afd.fr/american-philanthropic-foundations-emerging-actors-of-globalization-and-pillars-of-the-transatlantic-dialog/>]
- El-Daly, M., Khalil, M., 2017 [forthcoming]. *Literature Review on Philanthropy in the Arab World*. AFD publications, Paris.
- Hudson Institute 2017. *The Index of Global Philanthropy and Remittances 2016*. Washington, D.C.
- Schuyt, T., Verkaik, D. & L.K. Hoolwerf, 2017 [forthcoming]. *Better together? A Study on Philanthropy and Official Development Assistance. The Role of Private Foundations and the potential for collaboration*. AFD publications, Paris.
- Severino, J. M., Ray, O., 2009. *The end of ODA: death and rebirth of a global public policy*. Center for Global Development, Working Paper 167, March.
- Severino, J. M., Ray, O., 2010. *The end of ODA (II): the birth of hypercollective action*. Center for Global Development, Working Paper 218, June.
- Tan, P., Lam, S.-S., 2017 [forthcoming]. *Philanthropy in Asia*. AFD publications, Paris.